

B&O tax credit for creating new jobs in eligible areas that provide services to international customers

The 1998 Legislature created a \$3,000 B&O credit for each job created by businesses that:

- Are located in either a Community Empowerment Zone or other designated geographic area known as an International Services District.
- Provide certain professional services to international clients, or provide services outside the United States. Examples include computer, accounting, or engineering services.

Businesses may receive credits for the year the job is created and for four more years if the job is maintained.

This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

6 Community Empowerment Zones (CEZs)
and
2 International Service Districts (ISDs)



CEZs and ISDs are generally characterized as areas with high unemployment and low wages.

Preference is intended to attract and retain businesses providing professional services to international clients and create new jobs in certain urban areas

The legislation creating the preference included an intent statement. The preference is intended to attract and retain businesses that provide professional services to international customers by incentivizing new jobs.

This study will address the following questions:

1. To what extent has the preference been used and what are the beneficiary savings?
 - a. What are the racial and ethnic characteristics of the beneficiaries using the tax preference and the new jobs created?
 - b. How do beneficiaries using the preference learn about it?
2. Have subsequent tax policy changes for services provided to out-of-state customers changed the taxation of international services?
3. How has employment changed for businesses that claim the preference?
4. To what extent has the preference attracted businesses providing professional services to international clients in qualifying areas?

In accordance with RCW 44.28.076, JLARC staff determined there are racial equity considerations for this study and they are included in the study questions above.

Study timeframe

Preliminary Report: July 2023

Proposed Final Report: December 2023

Study team

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JLARC Study Process

